

# SOME MEASURES OF THE IMPACT OF THE PORT OF SAN FRANCISCO

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## PORT OF SAN FRANCISCO

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SOME MEASURES OF THE IMPACT OF  
THE PORT OF SAN FRANCISCO

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## PREFACE

This report was made possible through a grant from the Port of San Francisco to be used by graduate students in two School of Business classes at San Francisco State University. The purpose of the grant was for the classes to attempt to measure the port's impact upon the San Francisco community. Each student interviewed at least ten individuals and both classes developed and used mail questionnaires. The bulk of this report is devoted to reporting the questionnaire results.

We acknowledge the assistance of Port Director Soules; Anthony Taormina, his assistant; and Alyce Brown, a public administration intern working in Mr. Taormina's office. We also appreciate the time spent by individuals who were interviewed and/or who completed and returned our questionnaires. None of these people should be held accountable for our mistakes.

D.F.W.





## PORT IMPACT STUDIES

In recent years ports have become more dependent upon public, rather than private, sources of funding. Since conventional "profit and loss" criteria cannot be applied easily to public enterprise, other measures of success for public undertakings must be used. Many ports in the United States have conducted and published the results of "impact" studies, generally trying to show that the port's activity is responsible for an impressive amount of the community's or the region's employment. Direct employment is relatively easy to ascertain, despite the fact that handling waterborne commerce involves many entities.

It is more difficult to determine indirect employment created or sustained by a port. The phrase "employment multiplier" is sometimes used to describe the additional employment created beyond the initial impact of adding or sustaining an employee. In reality such multipliers are difficult to measure because one must follow the trail of all subsequent employment transactions elsewhere in the local economy resulting from an initial decision of one enterprise to hire. Similar to the employment multiplier is the sales multiplier with each initial sale creating subsequent sales in the local economy of either goods or services.

The size and structure of the local economy influence the size of the multiplier. The more goods and services available locally, the more likely that the subsequent transactions can and will take place in the same locality. The multiplier effect of port cargo-handling operations in San Francisco is probably high because of all the port-related functions headquartered in San Francisco. One could hypothesize that a ton of cargo handled over Oakland's piers has a higher multiplier-type impact on San Francisco's economy than is true, vice versa.

Total impact figures are difficult to interpret. While the employment or other benefits shown are dependent upon the initial activity, one is never



certain how dependent they are. If the initial activity were to cease, some dependent activity would cease while the remainder would find employment elsewhere. The second problem is that it is difficult to avoid double-counting some benefits when trying to reach total figures.

For the most part, neither total benefits nor total impact are shown in this report. This is for reasons just given and because part of the classes' research efforts were to explore the breadth of impact the port had on both the economy and community of San Francisco.

Before proceeding to describing the results of the surveys, a problem of definition should be mentioned briefly. Technically, the jurisdiction of the Port of San Francisco is over most waterfront lands on the city's eastern waterfront, from Aquatic Park south to the San Mateo County line. The Port functions mainly as a landlord; and while most of its tenants carry on waterfront-related functions, many of them are not involved--either directly or indirectly--with the handling of waterborne cargo. Not all of our respondents were fully aware of the Port's non-cargo-handling responsibilities such as the rental of office space in the Ferry Building or the leasing of land to restaurants on Fisherman's Wharf. Secondly, to some individuals, especially non-residents of the Bay Area, the phrase "Port of San Francisco" may have meant all cargo-handling operations in the Bay Area, including those in Oakland and Richmond.

The remainder of this report summarizes the results of separate surveys which were conducted by the two graduate classes in business research techniques at San Francisco State University during the spring term in 1976. Explanatory, and sometimes editorial, comments are included.



## NECESSITY OF PORT AS VIEWED BY CITY'S RESIDENTS

Figure 1 shows half of a double postcard mailed to two samples of city residents. The first group lived on Telegraph Hill; the second group was spread throughout the city. Telegraph Hill was singled out because of its proximity to the waterfront.

Figure 1

Do you believe that an active cargo and passenger-handling port in San Francisco is necessary to the City?

Yes \_\_\_\_\_ No \_\_\_\_\_ No Opinion \_\_\_\_\_

Why? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Comments

About 100 questionnaires were returned. There was no difference in the response of the two sample groups; 82% answered "yes"; 9% answered "no"; and 9% had no opinion.

Representative comments from those who answered "yes" are:

"It gives the city a general feeling of being alive."

"Identity! Esthetics! San Francisco is hills and harbor, as New York is highrises and dirt. A dead waterfront is a kind of lobotomy."

A comment on a "no" response was: "Why would it be necessary?"

## DO TOURISTS SEE AN ACTIVE PORT?

Figure 2 shows a postcard handed out to tourists in downtown San Francisco and near Fisherman's Wharf. The cards were mailed back after the visit to the city was completed.

Figure 2

Before your recent visit to San Francisco, had you thought of it as a busy port?    yes \_\_\_\_\_ no \_\_\_\_\_

While here, did you see a busy port?    yes \_\_\_\_\_ no \_\_\_\_\_

If "yes" what did you see? \_\_\_\_\_

\_\_\_\_\_

If "no", what--if anything--had you expected to see along the waterfront? \_\_\_\_\_

\_\_\_\_\_

What is your home city? \_\_\_\_\_ How long did you visit in San Francisco? \_\_\_\_\_ days

Here is a cross-tally of the responses to the two yes-no questions.

Before visit to S.F., thought of it as a busy port.

		yes	no	Total
While here, saw a busy port	yes	18	5	23
	no	<u>21</u> 39	<u>21</u> 26	<u>42</u> 65

Tourists are not seeing a busy port. Possibly this is because cargo-handling activity in the Bay Area is conducted in areas not frequented by tourists. Increase in vessel size and reduction of vessel turn-around time have also reduced the opportunities to see vessels in port.



# IMPACT OF PORT ON REAL ESTATE VALUES

Figure 3 shows half of a double postcard sent to a large sample of realtors, real estate consultants, and real estate developers.

Figure 3

1.	Do you think that a view of a busy San Francisco port helps the rentals of residential properties with views of port activity?
	yes _____ no _____ no opinion _____
	If "yes", by what percent is, or would be, the rent increased? _____ %
2.	Do you think that proximity to an active San Francisco port helps the rental of commercial space?
	yes _____ no _____ no opinion _____
	If "yes", by what percent is, or would be, the rent increased? _____ %

One hundred respondents answered "yes" to the question dealing with residential rents; 23 said "no"; and 16 had no opinion. The average percent increase listed by 76 respondents was 15½.

More respondents (109) answered "yes" to the question regarding commercial space; 20 answered "no", and ten had no opinion. Eighty-one respondents estimated what the percentage of increase would be and their estimates averaged slightly more than 21%.

These answers were surprisingly high, especially when one takes into account the large number of rental units involved. No doubt landlords, and--hopefully--the assessor, are aware of these factors as they influence rental rates and property values. (One student suggested that if these figures were true, the Board of Supervisors should charter one or two tramp vessels to sail continually up and down along the waterfront in order to bolster the city's tax base.)

## EMPLOYMENT OF PORT'S TENANTS

The Port of San Francisco has between 400 and 500 tenants, ranging from steamship lines to restaurants to offices in the Ferry Building. Figure 4 shows a questionnaire mailed to all of them.

Figure 4

1. What type of product or service do you offer?
_____
2. What is your operation's usual full-time (or full-time equivalent) employment?
_____ persons
3. Aside from rental payments to the Port, about how much money does your operation pay to the City of San Francisco each year in taxes and for fees?
\$ _____
Comments

Eighty postcards were returned. Most respondents were small enterprises; half of them employed six or less. Three respondents employed about 1,000 each (and these three were not used when calculating the average). The average employment of the other 77 respondents was just under 20. Expanding this to cover most other tenants would indicate they employed 8750 individuals. Then adding the 3,000 from the three large respondents would yield an estimated employment of about 11,750 by all tenants of the port.

The purpose of question two was to learn how much the tenants paid to the city in addition to rent. Five respondents indicated payments averaging \$500,000. The average for the other 75 respondents was just over \$7000; expanding this to most tenants would yield \$3.2 million to which should be added \$2.5 million for the five other respondents. This yields total payments to the city, in addition to rent, of \$5.7 million annually.



## THE PORT'S IMPORTANCE TO BAY AREA SHIPPERS

The port remains an important cargo-handling operation to many Bay Area shippers. Two hundred large exporters and/or importers were contacted by a letter questionnaire written on Center for World Business letterhead. Over two-thirds responded (which was, by far, the highest response rate to any of our questionnaires). Almost all firms responding used Bay Area ports for a portion of their shipments, and about 80% of the exporters used San Francisco facilities for a portion (usually about 20%) of their shipments through Bay Area ports. Figures were slightly higher for importers, reflecting--perhaps--goods that are sold in San Francisco's numerous stores and shops.

Exporters and importers were asked whether there were any direct benefits to them from having port facilities located in San Francisco rather than at other Bay Area sites. Just under 40% said "yes." (Not all respondents were San Francisco-based firms.)

Advantages cited were: "better control of shipments and consolidations," "savings on drayage," "ease of inspecting cargo prior to loading," and "nearness to brokers and consulates." A number of San Francisco-based respondents indicated some advantages of having the cargo handling occur relatively near to their headquarters, a fact that should be borne in mind by those interested in maintaining the city's economic base.

Another question asked was: "How important, if at all, to your operation is the existence of an active, cargo handling port in San Francisco?" Forty-five said "yes," 51 said "no" and 35 were indifferent. A large number of respondents had kind things to say about facilities and services at Oakland.

SAN FRANCISCO EMPLOYMENT ATTRIBUTABLE TO HANDLING WATERBORNE  
COMMERCE IN SAN FRANCISCO'S PORT

Letter questionnaires were also used to contact San Francisco-based firms engaged in activities related to the handling of waterborne commerce. Over 500 questionnaires were mailed out and about 30% were returned. Examples of the respondents' activities are: marine surveyors, ship chandlery, security guards waterfront construction, vessel brokerage, admiralty law, trucking, currency exchange, marine insurance, canvas products, container repair, customs-house broker, international freight forwarder, caulking, heavy machinery lifting and moving, consulate, export packing, naval architecture, U. S. Customs, export management, cordage, container leasing, fumigation, stevedoring, cargo shoring, fork lift service, marine fuels, grain handling, rigging supplies, diesel engine repairs, and barge construction. (Some of these firms are also tenants of the port, so there may be some overlap between the figures cited below and those listed under the "tenants" survey.)

Respondents were asked their employment, and then to estimate the "percent of employment directly related to the handling of waterborne commerce through port facilities in San Francisco." About three-quarters of the respondents did indicate that some, or all, of their employment was attributable to goods moving over San Francisco facilities. The other quarter indicated "zero" or "none." Expanding this sample to cover the 500 plus firms yields an employment estimate of just under 10,000 jobs in San Francisco-based firms.

A similar question asked about how much money the operation paid "to the city of San Francisco each year in the form of direct taxes, license fees, etc.?" The answer, when expanded to the 500-plus firms, yielded \$4.3 million annually.



## CONCLUDING COMMENTS

There is little need to repeat the survey results. However, a few random comments are offered here.

1. The most elusive item to measure was that of the port's "image," especially as related to the city's "image." Both residents and tourists expect some sort of port activity to be associated with San Francisco. Adapting the city's waterfront to changing cargo-handling technologies and changing demands on waterfront lands, without destroying this elusive "image," will be difficult.

2. Both the survey of port tenants and the survey of San Francisco-based firms related to the handling of waterborne commerce indicated a high number of jobs dependent upon the port. The two totals cannot be added because some of the respondents were in both survey groups. However, an employment multiplier--discussed briefly at the beginning of this report--could be applied to either total. The Port of Oakland, in its impact studies, uses a multiplier of two. This means that the total impact of adding (or subtracting) a job is to add (subtract) two more jobs in the nearby economy. The role of these latter two employees is to provide goods and services to the first employee and his family. Hence, applying a multiplier, such as Oakland does, could yield estimates of between 30,000 and 40,000 jobs dependent upon the Port of San Francisco.

3. The initial version of the questionnaire to residents was also sent to a large number of residents of Hunters Point. It had been hoped that comparisons could be made between answers from Hunters Point and from Telegraph Hill. The response from Hunters Point was so low that the only certain conclusion is that residents there do not respond to our questionnaires. Possibly they were suspicious of our motives since reuses for the shipyard there were a matter of controversy at the time of our survey (and as of this writing).



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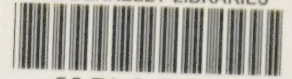
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